

DISCOVERY LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1999/007789/06)
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DSY ISIN: ZAE000022331
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JSE bond company code: DSYI
("Discovery")

Voluntary trading statement for the six months ended 31 December 2023

1. Overview

Discovery Group ("the Group") delivered robust profit and new business growth for the six-month period ended 31 December 2023 ("the reporting period").

In the reporting period, Discovery focused on three objectives:

1. Transitioning to the new IFRS 17 Insurance Contracts accounting standard ("IFRS 17");
2. Delivering strong growth, cash generation and capital resilience across all three business Composites; and
3. Establishing strong platforms for growth, in particular scaling Discovery Bank and evolving the Vitality Shared-Value insurance model.

2. IFRS 17 earnings for the reporting period

Earnings for the reporting period are reported under IFRS 17 for the first time. Under IFRS 17, the earnings for the six months to 31 December 2022 ("prior period") have been restated as required for consistency.

Key results for the reporting period are:

- Normalised profit from operations is expected to increase by between 10% and 15%;
- Headline earnings ("HE") is expected to be between 3% lower and 2% higher;
- Normalised headline earnings ("NHE") is expected to increase by between 8% and 13%; and
- New business annual premium income (API) increased by 28%.

The difference between the growth in NHE and HE is largely explained by the considerable prior period fair value gain from the UK interest rate swaption. The swaption was realised towards the end of the prior financial year and so has no profit impact in the reporting period and consistent with prior reporting, headline earnings are normalised for this.

Table 1: Summary of profit from operations for the reporting period versus prior period

Business	Normalised profit from operations expected % change	New business API (% change)
South African (SA) Composite	7% to 12%	29%
United Kingdom (UK) Composite	10% to 15%	22%
Vitality Global	70% to 75%	28%
Total	10% to 15%	28%

- SA Composite: The SA Composite generated robust earnings and new business growth. Discovery Health's new business was boosted by the successful take-on of the Sasolmed scheme. Discovery Bank's performance was excellent, with strong progress across all metrics. Discovery Life's individual life business delivered strong earnings growth with improving new

business margins, while Group Life declined from the prior period's exceptional performance. Discovery Invest's performance was robust with revenues and profit benefiting from higher market levels. Discovery Insure's profit recovery was constrained by two severe weather events.

- UK Composite: VitalityHealth ("VH") experienced robust new business growth as a result of backlogs within the NHS and the resulting increase in demand for private medical insurance. However, there was a concomitant increase in claims experience due to a change in claim patterns in respect of primary care demand. VitalityLife's earnings benefited significantly from higher interest rates and one-off positive variances.
- Vitality Global: Vitality Global performed strongly over the reporting period. Ping An Health Insurance's operating result and new business production exceeded expectation. Vitality Network generated strong revenue and profit growth, with margin expansion. Continued investment was made into Vitality Health International.

3. Transition to IFRS 17: Restatement of prior period (six months to December 2022) from the IFRS 4 Insurance Contracts accounting standard ("IFRS 4")

At the Group's June 2023 financial year results announcement, the Group highlighted that the transition to IFRS 17 would not have any material impact on its underlying economic value, solvency levels or cash flows, but would affect its incidence of profit recognition.

The restated normalised profit from operations under IFRS 17 for the prior period to 31 December 2022 was 16% lower than under IFRS 4:

- Discovery Life's profit under IFRS 17 was 15% below that under IFRS 4 for the prior period, as it is still approaching its cross-over point, as previously explained. This difference narrowed materially over the full restated prior reporting year to 30 June 2023 as the business progresses towards cross-over.
- VitalityLife generated £18 million of premium indexation in the prior period due to higher rates of inflation, which emerged as profit under IFRS 4. Under IFRS 17, this value is presented in other comprehensive income ("OCI"), which will emerge as profit in the future.
- VitalityHealth's £10 million reduction in financial reinsurance payments in the prior period emerged as profit under IFRS 4. Under IFRS 17 this value would effectively have been reflected in previous reporting periods, which is included in the reported net asset value.

4. Voluntary trading statement for the six months period ended 31 December 2023

Shareholders and noteholders are advised that, for the reporting period:

- Earnings per share ("EPS") (basic) is expected to be between 2% lower and 3% higher (to between 478.1 cents and 502.5 cents) compared to the restated IFRS 17 EPS (basic) of 487.9 cents for the prior period (443.1 cents previously reported under IFRS 4);
- Headline earnings per share ("HEPS") (basic) is expected to be between 3% lower and 2% higher (to between 483.4 cents and 508.4 cents) compared to the restated IFRS 17 HEPS (basic) of 498.4 cents for the prior period (453.6 cents previously reported under IFRS 4); and
- Normalised HEPS ("NHEPS") (basic) is expected to be between 7% and 12% higher (to between 489.0 cents and 511.8 cents) compared to the restated IFRS 17 NHEPS (basic) of 457.0 cents for the prior period (570.2 cents previously reported under IFRS 4).

Discovery intends to report its interim 2024 financial results on or about 20 March 2024. The information contained in this announcement, including any forecast financial information on which this voluntary trading statement is based, is the responsibility of the Board of Directors of Discovery and has not been reviewed and reported on by Discovery's external auditors.

Sandton
18 March 2024

Sponsor and Debt sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)